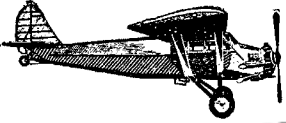


SCHOOL DISTRICT FLYER



A Newsletter of the Office of the Auditor General

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PROCEDURAL REVIEWS

Arizona Revised Statutes (A.R.S.) §41-1279.21 requires our Office to perform procedural reviews for school districts that are not required to comply with the *Single Audit Act Amendments of 1996*. The purpose of a procedural review is to determine whether a school district is in substantial compliance with the *Uniform System of Financial Records for Arizona School Districts* (USFR). The review consists primarily of inquiries, observations, and selective testing of accounting records and control procedures.

Unfortunately, many of the 17 districts we reviewed this past year were found in noncompliance with the USFR. The most common areas cited for lacking adequate controls were segregation of duties in cash receipts and expenditure processing, general fixed assets, and student activities. The USFR includes required policies and sample procedures to help districts ensure that adequate controls are maintained. Periodic review of district policies and the USFR can help you keep your district in compliance.



MULTI-YEAR AUDIT CONTRACTS AND AMENDMENTS

When a district seeks proposals and contracts for a one-year audit with the option to renew for up to four additional years, the cost for each of the years should be clearly specified in the proposals received by the district and in the awarded contract. Each year that the renewal option is exercised, a new contract must be submitted to our

Office for approval. Unless the district rebids, the contracted cost in each of the years must agree with the amounts specified in the original proposal. Any increase in years two through five from the amount originally proposed must be submitted to our Office for approval as a contract amendment and should be based solely on an unforeseeable change in the scope, character, or complexity of the work. Contracts may not be renewed for optional years at a cost above that indicated in the proposal and original contract for any other reason. A district's need for management or consulting services is not considered a change in scope, character, or complexity of the audit services originally contracted. Please remember, all contracts and contract amendments must be reviewed and approved by our Office prior to audit work commencing.



SCHOOLWIDE AUDIT TEAM

In accordance with A.R.S. §41-1279.03, our Office is required to establish a schoolwide audit team to conduct performance audits of school districts and to determine the percentage of dollars spent in the classroom.

The audit team is being established at this time. This first year, the team will be evaluating district compliance with Proposition 301 requirements. In addition, information regarding district expenditures will be gathered to establish a baseline for the percentage of dollars spent in the classroom.



ADVICE OF ENCUMBRANCE

Districts with levy fund liabilities payable as of June 30 must prepare Advice of Encumbrance and submit it to the County School Superintendent by July 18. USFR Memorandum No. 180 provides the Advice of Encumbrance for FY 2000-01.



TRUTH IN TAXATION WORKSHEET

We have included a revised Truth in Taxation (TNT) worksheet with the FY 2001-02 Expenditure Budget forms (USFR Memorandum No. 179). Districts are required to publish a TNT hearing notice as described in A.R.S. §15-905.01 if the district is budgeting an increase in the desegregation, dropout prevention, excess utilities, vocational & technological center operations, and small school adjustment areas of the budget, or if the district is levying for adjacent ways or excess liabilities. The changes made clarify that increases during the year in the applicable expenditures may result in a TNT notice and hearing at budget adoption the following year. Additionally, changes to the form also clarify the calculation of amounts to include on the TNT notice.

SUPPORT FOR ELECTRONIC SUBMISSIONS



Although districts are required to electronically submit average daily membership information to the Arizona Department of Education (ADE), districts should continue to maintain a copy of the information submitted as well as all supporting documents (i.e., attendance registers, attendance sheets, sign-in or -out forms, etc.) to ensure proper records retention.



QUESTION & ANSWER



Question: What revenue object code should be used to record Classroom Site Fund revenues?

Answer: Object code 3200—Restricted Grants-in-Aid from state sources should be used to record all Classroom Site Fund monies received from the State.

Question: Are school districts required to establish a delayed payroll system?

Answer: Yes, the USFR requires districts to establish a delayed payroll system as a matter of good business practice. Districts should establish a “lag” that allows adequate time between the end of the pay period and the payment of wages to ensure

that employees are paid only the wages they have earned. A.R.S. §23-351 allows school districts to establish a lag time of up to two weeks.

Question: Can a school-sponsored student activities club hold a raffle or lottery to raise money?

Answer: No. Attorney General Opinion I84-018 states that clubs that are “school-controlled” are not allowed to hold raffles or lotteries. However, off-campus clubs, clubs sponsored by civic groups, or parent-teacher organizations may hold raffles or lotteries.

SPOTLIGHT ON GRANTS MANAGEMENT WEB SITE

The Grants Management home page on ADE’s Web site at www3.ade.az.gov/grants_internet/ includes information related to educational grants funded from federal and state programs.

This Web site enables users to download grant/project summaries, fund profiles, applications, amendments, and cash management and completion reports.

In addition, districts can download audit evaluation forms, the general statement of assurance, and the grants management handbook.



USFR MEMORANDUM UPDATE

Since our last newsletter, we issued the following USFR Memorandums: No. 177 on school district annual budget revisions for FY 2000-01, No. 178 on the appropriate use of Proposition 301 monies, No. 179 on the FY 2001-02 school district expenditure budget, and No. 180 on the Advice of Encumbrance. In addition to these memorandums, we will be making presentations on Capital vs. M&O and Proposition 301 at the July Arizona Association of School Business Officials Summer Conference in Tucson.

If you need a copy of these or any current USFR memorandum, please visit our Web site at www.auditorgen.state.az.us/manuals.htm or call the Accounting Services Division of our Office at (602) 553-0333.